



## U.S. Embassy—Mexico City

### Standard of Living

#### Key Facts:

- Standard of living refers to the degree of wealth and material comfort available to a person or community, which includes factors such as income, poverty rate, housing, income growth inequality, environment, safety, civic engagement, as well as quality and availability of employment, healthcare, and education.
- In Mexico, poverty rates remain high and income inequality is stark.
- Mexico has reduced disparities in healthcare quality and access through its universal healthcare program, *Seguro Popular*.
- Education quality lags behind by OECD standards and enrollment rates for upper secondary education are less than 70% and dropout rates are high.
- Over a third of all households in Mexico have at least one member who was victim of a crime in 2012.
- Security and human rights issues continue to diminish living standards and violence is estimated to cost 8 to 15% of GDP.

#### *Nearly half the population of Mexico lives in poverty.*

There are 53.3 million Mexicans living in poverty which represents just over 45% of the population. The lack of formal employment for poor Mexicans is a major driver of migration. Wealth is concentrated in the capital city and in the states along the U.S. border.

#### New Poverty Measurements

Mexico employs a multidimensional approach to measure poverty levels, taking into consideration a number of living standard variables as well as setting a threshold, called the Economic Welfare Line. Mexico's overall poverty rate is 45.5%, but nearly three-fourths of Mexicans lack at least one of eight basic needs as identified by CONEVAL, a Mexican social policy organization. A 2012 survey showed that 41.8 million Mexicans live on less than \$177 a month and 11.5 million live on less than \$85 a month. Meanwhile, the top decile of Mexican households earns over \$40,000 annually on average, nearly thirteen times as much as the bottom 20%.

#### Mexico by Numbers

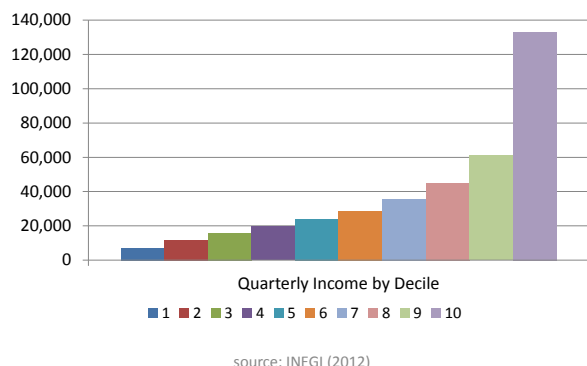
116,220,947: population of Mexico (World Factbook, July 2013)

GDP per capita \$15,600 (World Factbook, 2012 est.)

5.17%: Unemployment rate (INEGI, August, 2013)

76.9: Average life expectancy at birth (World Bank, 2011)

Quarterly Household Income by Decile (\$MXP)



#### Employment

According to Mexico's National Institute of Statistics and Geography (INEGI), in the third quarter of 2013, 2.7 million Mexicans were unemployed, which represents 5.2% of the economically active population. However, from July to September of 2013, the underemployed population in the country reached 4.2 million and accounted for 8.5% of employed persons. Other sources estimate underemployment as high as 25%. The breadth and depth of the Mexican informal sector makes accurate statistics difficult to find. INEGI reports that in the third quarter of 2013 29.3 million people, or 59.1% of the employed population, worked in the informal sector. Reports from the Mexican Institute of Social Security and the Secretariat of Labor and Social Welfare, show that average annual formal job creation over the last decade has been just over 400 thousand jobs, while the job seeking population has grown by 1.2 million per year, according to the Banco of Mexico, leaving a significant job shortage in the formal sector.

### Mexico Poverty Alleviation Measures

- Since 1997, Mexico has used a conditional cash transfer program to address poverty in rural areas
- Minimum wage is set at MX\$64.76 (US\$5.07) per day in the capital and major cities

#### Poverty Alleviation Program: *Oportunidades*

*Oportunidades*, the Mexican government's largest conditional cash transfer program, has alleviated rural extreme poverty through improved nutrition and education. The program began in 1997 and dispenses small amounts of money bimonthly to poor families with the condition that children regularly attend school and family members regularly visit clinics for preventive healthcare and counseling. *Oportunidades* also provides more than six million educational grants to participants to encourage higher education. The program was initially intended to be part of a broader program to reduce poverty, but other aspects were never fully implemented. As a result, the young adults graduating from *Oportunidades* tend to find themselves healthier and better educated but still unemployed.



#### Minimum Wage and Inflation

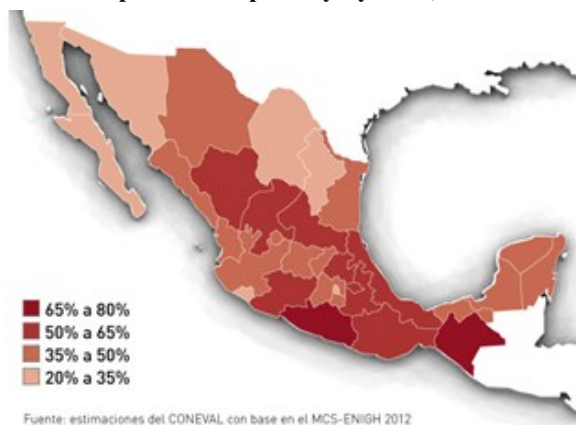
Mexico's daily minimum wage for 2013 increased by 3.9% from the previous year to MX\$64.76 (US\$5.07) in the highest-paid zone, which includes the capital and major cities. The minimum wage is well below average market wages estimated at MX\$26 an hour in formal jobs and MX\$18 an hour in the informal sector. Meanwhile, inflation rates are expected to continue around 3.5% through 2014.

## Economic Inequality in Mexico

### Mexico's Poverty: Geographic Concentration of Wealth

Mexico's considerable wealth is not evenly distributed among its people. The southern region, especially the states of Chiapas, Oaxaca, and Guerrero, is by far the poorest area of the country. The northern states of Nuevo Leon, Baja California, and Coahuila, are among the richest states. The lack of opportunities to earn a living wage spurs migration – both internal and international – and exposes Mexico's poorest people to increased vulnerability and marginalization.

#### Population in poverty by state, 2012



#### Income Disparity

The OECD reports that the average annual household net-adjusted disposable income is 12,732 USD in Mexico. Distribution of income is significantly unequal. The average net adjusted disposable income of the top 20% of the population is an estimated \$32,756USD a year, whereas the bottom 20% live on an estimated \$2,570USD a year (OECD, 2010 estimates).

### Mexico by Numbers

Distribution of family income (Gini index): 48.3 (World Factbook, 2008)

45.5%: national poverty rate (CONEVAL 2012). Note: other sources report up to 51.3%.

23.2%: poverty rate in Nuevo Leon, lowest rate in Mexico calculated by state (CONEVAL 2012)

74.7%: poverty rate in Chiapas, highest rate in Mexico calculated by state (CONEVAL 2012)

19.2%: national school dropout rate (CONEVAL 2012)

25.3 million: number of Mexicans who lack access to basic health care (CONEVAL 2012)

27.4 million: number of Mexicans who lack access to sufficient food (CONEVAL 2012)

## Health & Environment

Environmental health concerns include the health impacts of urban air pollution, which continue to be a concern in Mexico. Meanwhile, the OECD reports that only 78% of people in Mexico say that they are satisfied with the water quality that is available to them. Mexico has seen improvements in life expectancy and a steady decline in infant mortality rates. In 2013, Mexico's life expectancy was estimated around 78 years (World Factbook). In 2003, the Mexico approved *Seguro Popular*, a public insurance scheme which assures legislated access to a comprehensive set of healthcare entitlements for poor households formerly excluded from traditional social security. According to UNDP reports, since the launch of this program, public resources for health have increased and are being distributed more fairly, while access to and use of healthcare services have expanded.

## Education

Although education accounts for 22% of public non-capital spending (the highest share in the OECD, though well below the group's average in dollars per pupil), around 80% of that spending goes to teachers' unions to pay teacher salaries and union administration. School enrollment and completion at the primary and lower secondary education levels is nearly universal in Mexico. In June 2013, the Mexican government made lower secondary education mandatory. Primary school education is as high as 98% and lower secondary school education levels reach 88% (World Bank). On the other hand, enrollment levels at the upper secondary school level are as high as 98%, but the graduation rate is around 60%. The OECD reports, that only 36% of adults aged 25-64 have completed an upper secondary school education. Education access and quality is one of the major concerns for Mexico at all levels of education.

## Civic Engagement & Security

In Mexico, voter turnout is around 60% of registered voters, which suggests public trust in the electoral process. Differences in voter turnout vary only slightly depending on income which also demonstrates a potentially broad social inclusion in Mexico's democratic institutions. No reliable statistics are available regarding minority participation in government; however, CNDH, Mexico's national human rights commission, reports that indigenous people are generally the group that is most excluded from health and education services in Mexico. According to a CNDH report from September 2012, Mexican indigenous women are among the most vulnerable groups in society. Despite government actions and social programs to improve the living conditions of indigenous people, indigenous women continue to experience high levels of racism, discrimination, and violence.

The OECD reports that only 38% of Mexican people said they trust their political institutions. In a 2012 survey on corruption, 23 percent of respondents told national daily Reforma that they had paid a bribe in the last year, and more than 80 percent said that they believed there was significant corruption in the government, in the prison system, in political parties, and in the judiciary. Newspaper polls and other popular sources report that public trust in police is as low as 20%. Mexican security forces have committed human rights violations in their efforts to either combat or collude with powerful organized crime groups. During 2012, the CNDH received 45 complaints regarding arbitrary or unlawful killings. According to INEGI, 72.3% of the population over 18 years-old perceived insecurity in their state between March and April of 2013. According to INEGI's 2013 National Survey on Victimization and Perception of Public Safety, 32.4% of households in Mexico have at least one member who was victim of a crime in 2012. INEGI estimates that 92.1% of crimes go unreported.